

## **complaint**

Miss C says MBNA Limited mis-sold her a payment protection insurance (“PPI”) policy.

## **background**

This complaint is about a credit card PPI policy taken out in 2003 when Miss C applied for a credit card on the phone.

Our adjudicator upheld the complaint. MBNA disagreed with the adjudicator’s opinion so the complaint has been passed to me.

## **my findings**

I’ve considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. Where the evidence is incomplete, inconclusive or contradictory (as some of it is here), I reach my decision on the balance of probabilities – in other words, on what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

We’ve set out our general approach to complaints about the sale of PPI on our website and I’ve taken this into account in deciding Miss C’s case.

I’ve decided to uphold Miss C’s complaint. That’s because I don’t think MBNA gave Miss C clear enough information about the costs and benefits of the policy when she applied for it. The basic cost of the policy was 68p per £100 of the statement balance, which I think Miss C was told. But I can’t see she was told that she would have to keep on paying her monthly premiums if she made a successful claim. Or that she might need to pay interest on any unpaid monthly premium.

The monthly benefit amount was 3% of the outstanding balance. And as Miss C would have to continue paying the PPI premium during a claim this reduces the value of that benefit to below that.

So I don’t think the benefits or how the PPI worked were properly explained to Miss C.

I think this information would’ve mattered to Miss C because she said she had 6 months sickness cover through her work. MBNA has pointed out that the information she recently gave about the identity of her employer is inconsistent with the information she gave it when she took out the PPI. But, I think probably she would have been eligible for some benefits through either employer. So I don’t think she would have been overly worried about how she could pay her credit card if she was unable to work.

Had she been given clearer information I don’t think she would have taken out the PPI. I think it unlikely she would have considered it to be good value given the benefits payable and her individual circumstances. So I think Miss C has lost out because of what MBNA did wrong.

## **fair compensation**

MBNA should put Miss C in the financial position she’d be in now if she hadn’t taken out PPI.

- A. MBNA should find out how much Miss C would've owed when she closed her credit card account if the policy hadn't been added.

So, it should remove the PPI premiums added, as well as any interest charged on those premiums. It should also remove any charges that were caused by the mis-sale of the PPI – as well as any interest added to those charges.

MBNA should then refund the difference between what Miss C owed when she closed her account and what she would've owed if she hadn't had PPI.

If Miss C made a successful claim under the PPI policy, MBNA can take off what she got for the claim from the amount it owes her.

- B. MBNA should add simple interest on the difference between what Miss C would've owed when she closed her account from when she closed it until she gets the refund. The interest rate should be 8% a year. †
- C. If – when MBNA works out what Miss C would've owed each month without PPI – Miss C paid more than enough to clear her balance, MBNA should also pay simple interest on the extra Miss C paid. And it should carry on paying interest until the point when Miss C would've owed MBNA something on her credit card. The interest rate should be 8% a year. †
- D. MBNA should tell Miss C what it's done to work out A, B and C.

† HM Revenue & Customs requires MBNA to take off tax from this interest. MBNA must give Miss C a certificate showing how much tax it's taken off if she asks for one.

### **my final decision**

For the reasons I've explained, my final decision is that I uphold Miss C's complaint.

I direct MBNA Limited to pay Miss C compensation in line with the instructions I've set out above.

Under the rules of the Financial Ombudsman Service, I am required to ask Miss C to accept or reject my decision before 9 July 2015.

Kim Parsons  
**ombudsman**